

Function 950: Undistributed Offsetting Receipts

This function comprises major offsetting receipt items that would distort the funding levels of other functional categories if they were distributed to them. This function currently includes three major items: rents and royalties from the Outer Continental Shelf (OCS); the receipt of agency payments for the employer share of federal employee retirement benefits; and other offsetting receipts, such as those obtained from broadcast spectrum auctions by the Federal Communications Commission (FCC).

Offsetting receipts are recorded as “negative outlays” either because they represent voluntary payments to the government in return for goods or services (e.g., OCS royalties and spectrum receipts) or because they represent the receipt by one government agency of a payment made by another.

For 2007, the budget assumes offsetting receipts of \$94.3 billion. Over the five-year period (2007-2011), the budget assumes offsetting receipts of \$448.9 billion.

Federal Employee Retirement System — For 2007, federal agencies will pay \$52.9 billion to the federal employee retirement funds (the Civil Service Retirement System, Military Retirement System, and Federal Employees Retirement System). Federal agencies also make payments to the Medicare Health Insurance Trust Fund and the Social Security trust funds on behalf of federal employees. As employees’ pay increases, agencies are required to increase their payments to these funds.

Federal Employees’ Pay Raise — The budget increases federal civilian pay rates by 2.2 percent in January 2007, the same pay raise as for military personnel.

Mandatory

Arctic National Wildlife Refuge Lease Receipts — In spite of the highly controversial nature of this proposal, for the sixth consecutive year the President’s budget assumes opening the Arctic Refuge to oil and gas exploration. Although the receipts are assumed in the budget, the Administration cannot implement the proposal without Congressional approval (attempts to open the Arctic Refuge failed last session). Over the 2007-2011 period, the President’s budget includes \$4.0 billion from lease bonuses for the federal treasury in this budget function and \$4.0 billion collected and distributed to the State of Alaska that occurs in Function 800 (General Government).

Postal Service Reforms — The budget takes the pension savings that are provided to the Postal Service and would otherwise be held in escrow in 2006 and beyond, and uses them to fully fund its retiree health benefit liabilities.

Spectrum Auction Authority and Spectrum License User Fee — The budget permanently extends the authority of the FCC to auction spectrum, which the recently passed reconciliation spending bill extended only through 2011. The budget also authorizes the FCC to set user fees on unauctioned spectrum. These two proposals are expected to generate a total of \$1.2 billion over the next five years (2007-2011) and \$4.6 billion over the next ten years (2007-2016).